

Message Text

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15

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /177 W

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P R 110755Z JUN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 5300

INFO AMEMBASSY BERN

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

USMISSION OECD PARIS

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

TREASURY DEPARTMENT WASH DC

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PASS TREASURY FOR WIDMAN/TEMPLEMAN. PASS FRB.

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

REF: (A) ROME 6843

(B) ROME 7977

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1. SUMMARY: BANK OF ITALY INTERVENTION IN EXCHANGE

MARKET TO SUPPORT LIRA HAS BEEN HEAVY DURING FIRST PART OF JUNE. IN MAY INTERVENTION REACHED \$900 MILLION. ACCORDING TO BOI WEIGHTED INDEX, LIRA HAS DEVALUED 18 PERCENT. ADJUSTED BALANCE OF PAYMENTS DEFICIT FOR FIRST FOUR AND ON-HALF MONTHS OF 1974 WAS \$5,005 MILLION. END SUMMARY.

2. HEAD OF BOI EXCHANGE OPERATIONS, ERCOLANI, TOLD ASSISTANT TREASATT ON JUNE 10 THAT BOI INTERVENTION DURING FIRST TEN DAYS OF JUNE HAD BEEN HEAVY. HE PROVIDED \$900 MILLION INTERVENTION FIGURE FO MAY, WHICH IS SOME \$2 MILLION LESS THAN INTERVENTION LEVELS FOR MARCH AND APRIL. ALTHOUGH BOI CONTINUES TGERECEIVE PRIOR IMPORT DEPOSITS, THERE IS STILL NO SIGN THAT IMPORTS ARE SLOWING AS A RESULT OF DEPOSIT REQUIREMENT. ERCOLANI BELIEVED, HOWEVER, THAT THIS WAS BECAUSE THESE IMPORTS REPRESENTED GOODS IN TRANSIT AT TIME MEASURE AS INTRODUCED. WHEN QUESTIONED ABOUT ITALIAN PRESS COVERAGE CONCERNING \$1 BILLION GERMAN LOAN TO ITALY REPORTED REF B, ERCOLANI DISMISSED PRESS REPORTS AS UNFOUNDED.

3. PROVISIONAL MONETARY MOVEMENTS DATA THROUGH FIRST FOUR AND ONE-HALF MONTHS OF 1974 SHOW DEFICIT OF \$2,855 MILLION, TO WHICH SHOULD BE ADDED EUROMARKET BORROWING OF \$2,150 MILLION FOR AN ADJUSTED DEFICIT OF \$5,005 MILLION. FINAL DRAWING OF MEDIOBANCA LOAN IN AMOUNT OF \$400 MILLION RECEIVED DURING FIRST HALF OF MAY. ERCOLANI CONFIRMED THAT BANK HAD NOT YET RECEIVED PROCEEDS FOR STET (ITALIAN STATE TELEPHONE COMPANY) OR STATE RAILWAYS EUROMARKET LOANS. APPARENTLY NEGOTIATIONS ARE NOT YET FINAL, BUT ERCOLANI BELIEVED THAT TERMS OF THESE LOANS WOULD BE MORE FAVORABLE THAN PREVIOUSLY EXPECTED.

4. LIRA HAS CONTINUED TO WEAKEN GRADUALLY AGAINST DOLLAR AND MAJOR EUROPEAN CURRENCIES. ACCORDING TO "24 ORE" INDEX, ON JUNE 10 LIRA HAD DEPRECIATED 23 PERCENT SINCE FEBRUARY 1973. THIS IS A MAXIMUM LEVEL OF DEPRECIATION SURPASSING EVEN 22 PERCENT REACHED ON BLACK THURSDAY IN JULY 1973. BOI INDEX SHOWS 18 PERCENT DEP-

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RECIATION ON JUNE 10. SINCE EARLY MAY LIRA/DOLLAR RATE HAS MOVED SPORADICALLY SOME 11 LIRA FROM 623 LIRE PER DOLLAR ON MAY 2 TO 644 ON JUNE 10.BEAUDRY

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Disposition Event:
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Disposition Reason:
Disposition Remarks:
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